

# AUDIT MEMO

SUBJECT: Claims for Reimbursement of Revolving Fund Deficiencies	NO.: 99-03
REFERENCES: Government Code Section 16400; Audit Memos 95-02 and 97-01	DATE ISSUED: February 8, 1999

**PURPOSE:** To reissue instructions for preparing and submitting claims for reimbursement of revolving fund deficiencies, as previously outlined in Audit Memo 95-02, dated August 31, 1995, and Audit Memo 97-01, dated September 1996. Additionally, this audit memo includes department/agency reporting requirements and the “Revolving Fund Reimbursements” annual report format.

**REQUIREMENTS:** Government Code Section 16400, as amended by Chapter 726, Statutes of 1994, permits agencies to replenish certain revolving fund deficiencies from existing appropriations of their designation. The amendment also transfers claim approval responsibility from the Board of Control to the Director of the Department of Finance (DOF). The Director of DOF has delegated this responsibility to the Office of State Audits and Evaluations (OSAE).

## METHODOLOGY:

### REIMBURSEMENT PROCESS

**Required Approvals:** Except as noted below, departments/agencies have been designated authority to approve deficiency claims of less than \$1,000. Send these claims directly to the SCO for reimbursement. Do not split claims to meet the “less than \$1,000” criteria.

For claims of \$1,000 or greater, departments/agencies must file a reimbursement claim with OSAE.

**Standard Form 27A:** File all reimbursement claims on Standard Form 27A, *Claim for Reimbursement (9/95 Revision)*. For each claim, submit to OSAE a Form 27A and a copy of both sides of the canceled check that caused the deficiency.

The department/agency’s internal audit unit, if one exists, must review all claims prior to their submission to OSAE. Once OSAE approves a claim, it continues through the State Controller’s Office’s (SCO) regular claims process. Submit revolving fund deficiency reimbursement claim schedules to the SCO separately; do not include any other type of transaction with the deficiency claim schedule.

Obtain OSAE approval when:

- the Standard Form 27A is \$1,000 or more,
- the compilation of Standard Form 27As within a claim schedule is \$2,500 or more,
- the canceled check required for supporting documentation is unavailable, or  
(Provide an explanation why the check copy could not be provided.)
- the claim is the result of an unresolved correction from the SCO.  
(Provide an explanation on the Standard Form 27A regarding the steps taken to resolve this issue and the reason(s) no resolution was reached.)

**Supporting documentation:** Follow State Administrative Manual collection procedures before filing a reimbursement claim and maintain collection effort documentation in-house for audit.

**OSAE Claim Review and Audits:**

OSAE reviews each submitted claim for inclusion of:

- proper approvals/signatures,
- correct information for the type of deficiency,
- explanation of unavailable canceled check copy or unresolved claim correction,
- explanation indicating what corrective steps have been taken to correct the problem,
- copy of canceled check, and
- the purpose of the original payment.

OSAE will return the approved claim to the department/agency with an approval stamp. The department/agency should submit the approved claim to the SCO for reimbursement. OSAE will return any denied claim to the department/agency with an explanation letter addressing the reason(s) for denial. Most claim denials result from incomplete or inaccurate Standard Form 27A preparation. Denied claims should be filed as equity claims with the State Board of Control. In addition, cash shortages in trust or bank accounts that create deficiencies in established fund balances are equity claims.

Most revolving fund deficiencies arise from illegal revolving fund use and untimely collection of employee advances. OSAE may audit/review any claim and its supporting documentation. The size of the claim, a high incidence of claims without attached copies of canceled checks, or significant unresolved claim corrections may trigger an OSAE audit/review.

**REPORTING REQUIREMENTS**

Departments/agencies must report annually to OSAE, by September 30, the disposition of all claims for reimbursement for the period ending June 30 of the prior fiscal year. OSAE requires this annual report from every department/agency, even if there is no activity. A sample format is attached to this memo.

Please distribute this audit memo appropriately within your organization. If you have any questions, please contact Carol C. Close, Assistant Chief, OSAE, at (916) 322-2985, Ext. 3103.

Samuel E. Hull, Chief  
Office of State Audits and Evaluations

**Agency Name**  
**Revolving Fund Reimbursements Under \$1,000**  
**As of June 30, 19XX**

<b>Claim Schedule Number</b>	<b>Claim Schedule Date</b>	<b>Date Paid</b>	<b>Claim Schedule Amount</b>	<b>27A Amount</b>	<b><u>Reason for Deficiency</u></b>
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